SASKENERGY INCORPORATED AND SUBSIDIARIES

FINANCIAL STATEMENTS

December 31, 1999

SASKENERGY INCORPORATED AND SUBSIDIARIES
FINANCIAL STATEMENTS
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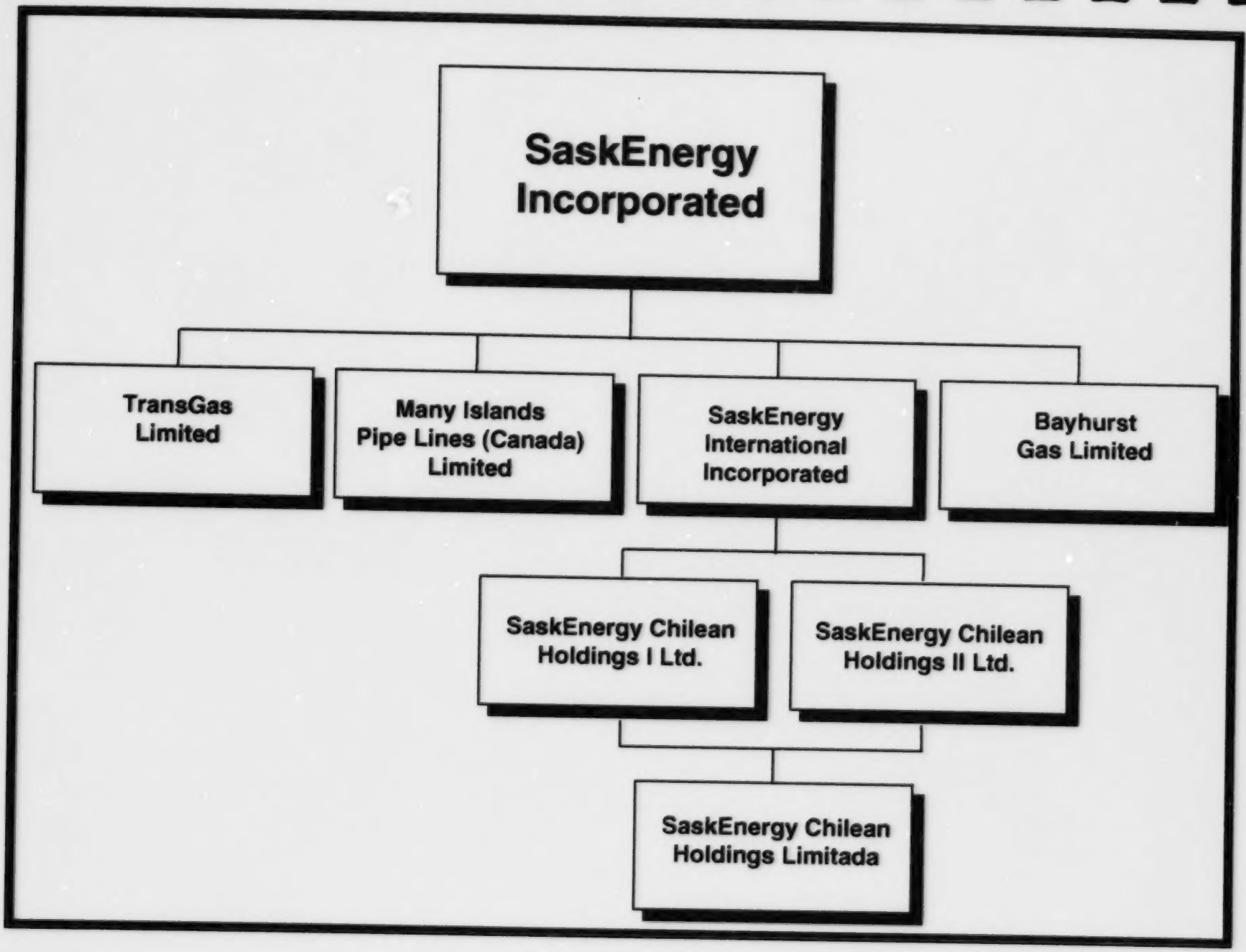

SaskEnergy Incorporated
TransGas Limited
Many Islands Pipe Lines (Canada) Limited
SaskEnergy International Incorporated
Bayhurst Gas Limited
SaskEnergy Chilean Holdings I Ltd.
SaskEnergy Chilean Holdings II Ltd.
SaskEnergy Chilean Holdings Limitada

100-05023/

SASKENERGY INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SaskEnergy Incorporated as at December 31, 1999 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

ERNST & YOUNG

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	1999	1998
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ -	$ 722
Accounts receivable		86,954	82,333
Natural gas in storage	3	49,684	44,154
Inventories of supplies		6,403	5,493
		143,041	132,702
NATURAL GAS IN STORAGE	3	38,781	44,069
CAPITAL ASSETS	4	1,002,524	987,623
LONG TERM INVESTMENT	5	5,027	-
		$ 1,189,373	$ 1,164,394
LIABILITIES AND PROVINCE'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 2,020	$ -
Short term indebtedness	6	38,800	56,800
Accounts payable		75,885	80,451
Dividend payable		7,474	4,943
		124,179	142,194
CUSTOMER CAPITAL CONTRIBUTIONS	7	85,509	75,823
LONG TERM DEBT	6	691,832	674,993
TOTAL LIABILITIES		901,520	893,010
PROVINCE OF SASKATCHEWAN'S EQUITY			
Equity advances	8	71,531	71,531
Retained earnings		216,322	199,853
		287,853	271,384
		$ 1,189,373	$ 1,164,394
COMMITMENTS	9		

(See accompanying notes)

On behalf of the Board:

_____, Director _____, Director

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
REVENUE			
Distribution		$ 307,493	$ 271,113
Cost of gas sold		147,512	108,379
Distribution margin		159,981	162,734
Transportation and storage		75,915	77,853
Net sales from gas brokering		12,830	16,286
Other		3,352	1,791
Net revenue		252,078	258,664
EXPENSES			
Operating and maintenance		95,042	96,615
Interest	6	66,911	69,027
Amortization of capital assets		45,271	42,161
Saskatchewan taxes and royalties	10	8,256	14,519
Total expenses		215,480	222,322
Net earnings		36,598	36,342
Retained earnings, beginning of year		199,853	183,454
Dividend		(20,129)	(19,943)
Retained earnings, end of year		$ 216,322	$ 199,853

(See accompanying notes)

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 36,598	$ 36,342
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		45,271	42,161
Amortization of customer capital contributions		(2,023)	(2,122)
Other non-cash items		1,086	2,000
		80,932	78,381
Net change in non-cash working capital related to operations	11	(15,628)	(25,940)
Cash provided by operating activities		65,304	52,441
INVESTING ACTIVITIES			
Additions to capital assets		(61,257)	(59,340)
Customer capital contributions received		11,709	12,065
Decrease in natural gas in storage (non-current)		5,288	3,852
Long term investment		(5,027)	-
Cash used in investing activities		(49,287)	(43,423)
FINANCING ACTIVITIES			
(Decrease) increase in short term indebtedness		(18,000)	36,900
(Decrease) increase in long term debt		16,839	(7,207)
Dividend paid		(17,598)	(36,700)
Cash used in financing activities		(18,759)	(7,007)
INCREASE (DECREASE) IN CASH during year		(2,742)	2,011
CASH POSITION, beginning of year		722	(1,289)
CASH POSITION, end of year		$ (2,020)	$ 722

Cash position consists of cash less bank indebtedness.

(See accompanying notes)

SASKENERGY INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan provincial Crown corporation operating under authority of **The SaskEnergy Act**. SaskEnergy transports, stores and distributes natural gas in Saskatchewan.

By virtue of **The Crown Corporations Act, 1993**, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan, a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan.

As a provincial Crown corporation, SaskEnergy and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, TransGas Limited, Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated, SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. In addition, the accounts also include the Corporation's 100 per cent ownership interest in SaskEnergy Chilean Holdings Limitada – a Chilean limited partnership. Separate audited financial statements are prepared for each of these entities.

b. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at the lower of average cost or replacement cost.

c. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value.

d. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a major capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other retirements of capital assets are recorded by reducing the asset account by the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (in per cent)

Transmission and storage	2.5 to 2.6
Distribution	2.5 to 3.5
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	2.5 to 33.3

The royalty interest in certain natural gas wells is amortized on the unit of production method.

e. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

f. Revenue recognition

Distribution revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

Transportation and storage revenue is recognized when transportation, transportation related services and storage are provided to customers. An estimate of transportation, storage revenue and related services rendered, but not billed, is included in revenue.

g. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

3. NATURAL GAS IN STORAGE

a. Natural gas in storage classified as a current asset has been purchased for the purpose of resale.

b. Natural gas in storage classified as a non-current asset is located within the Corporation's various storage facilities and is required for the ongoing operations of the storage facilities.

c. The Corporation has natural gas reserves that are fully amortized. A portion of these reserves were sold in 1998.

4. CAPITAL ASSETS

	1999			1998		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 533,257	$102,670	$ 430,587	$ 520,029	$ 88,826	$431,203
Distribution	497,369	97,807	399,562	466,830	84,762	382,068
Gathering, treatment and compression	145,281	37,640	107,641	141,998	32,510	109,488
Vehicles, equipment and other	101,935	42,507	59,428	101,606	43,954	57,652
Royalty interest	6,831	5,005	1,826	6,831	4,046	2,785
Construction in progress	3,480	-	3,480	4,427	-	4,427
	$ 1,288,153	$285,629	$1,002,524	$ 1,241,721	$254,098	$987,623

The composite amortization rate was 3.6 per cent during 1999 (3.5 per cent during 1998).

5. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created two wholly-owned Canadian subsidiaries and a Chilean limited partnership.

The Corporation, through SaskEnergy International Incorporated, the two Canadian subsidiaries and the Chilean limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S.

By virtue of the Shareholders Agreement of Gas Sur S.A., the Corporation committed to make the investment through three equal advances of $1,600 thousand U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Canadian dollar equivalent of the investment to date is $5,027 thousand.

In addition, the Corporation has entered into a Technical Advisors Agreement whereby the Corporation will provide technical consulting services to Gas Sur S.A. on a fee for service basis.

In conjunction with the investment, the Corporation has granted a guarantee for the specific purpose of underwriting the subscription payment obligation of the Chilean limited partnership. The guarantee is expressly limited to $5,000 thousand U.S.

6. LONG TERM DEBT

Years to Maturity	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)	1998 Principal Outstanding (thousands)	1998 Average Fixed Interest Rate (per cent)
Province of Saskatchewan				
1 - 5	$ 303,391	12.0	$ 272,934	12.0
6 - 10	329,758	8.2	296,079	8.7
11 - 15	-	-	39,136	9.7
16 - 30	100,000	8.0	100,000	8.0
	733,149		708,149	
Less sinking fund equity	(46,133)		(37,972)	
Less due within one year	-		-	
Due to Province of Saskatchewan	687,016		670,177	
Other	4,816	13.5	4,816	13.5
Total long term debt	$ 691,832		$ 674,993	

a. Sinking funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are administered by the Province of Saskatchewan's Department of Finance. The investments held in these sinking funds are primarily Province of Saskatchewan debt instruments. The yield on these investments was 9.1 per cent for 1999 (9.1 per cent 1998).

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Short term indebtedness

During 1999, the Corporation borrowed funds on a short term basis from the Province of Saskatchewan's General Revenue Fund at an average interest rate of 4.9 per cent.

Included in short term indebtedness at December 31, 1999 is an amount of $38,800 thousand (1998 - $56,800 thousand) that was due to the Province of Saskatchewan's General Revenue Fund with an interest rate of 4.8 per cent fixed to March 31, 2000.

d. Principal repayments

Principal repayments and sinking fund installments due in each of the next five years are as follows: (thousands)

	2000	2001	2002	2003	2004
Principal	$ -	$50,000	$ -	$222,934	$ 30,457
Sinking fund installments	4,529	4,529	4,529	2,300	2,300
	$ 4,529	$54,529	$ 4,529	$225,234	$ 32,757

e. Interest expense

Interest expense was as follows:

	1999	1998
	(thousands)	
Interest on long term debt	$ 72,265	$ 71,942
Interest on bank indebtedness	382	747
Interest capitalized	(1,856)	(484)
Sinking fund earnings	(3,880)	(3,178)
	$ 66,911	$ 69,027

Cash interest paid during 1999 on long term debt was $71,970 thousand.

7. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are received from customers to aid in construction of customer specific facilities in accordance with established business policies.

	1999	1998
	(thousands)	
Balance, beginning of year	$ 75,823	$ 65,880
Contributions received during the year	11,709	12,065
Contributions amortized during the year	(2,023)	(2,122)
Balance, end of year	$ 85,509	$ 75,823

8. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from Crown Investments Corporation of Saskatchewan (CIC) to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

9. COMMITMENTS

➢ FINANCIAL INSTRUMENTS

The Corporation engages in hedging activities through the use of financial derivatives. A Corporate Derivatives Policy and specific hedging strategies establish the guidelines within which derivatives may be used by the Corporation. The Corporation utilizes a variety of off-balance sheet financial instruments to manage its exposure to interest rate, foreign exchange rate and gas price risk. These instruments are only used to hedge underlying assets, liabilities or anticipated future transactions.

a. Hedging transactions

The Corporation purchases natural gas for the purpose of resale. Approximately 68 per cent (1998 – 74 per cent) of annual purchases are made under long term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. Natural gas purchase prices are hedged by using financial instruments.

As at December 31, the Corporation has entered into natural gas price swap contracts with counterparties to effectively manage an annually predetermined portion of its forecast system gas supply. The Corporation's hedging tools also include option and basis contracts with counterparties and futures contracts traded on the New York Mercantile Exchange. For those hedges denominated in United States dollars, the Corporation hedges against its foreign exchange risk through the use of Forward Contracts.

Amounts received or paid resulting from settlement of gas price hedging transactions are recognized as a component of the cost of gas sold.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap and option contracts. The Corporation mitigates this credit risk by:

i. utilizing only counterparties with an A credit rating or better for at least 75 per cent of notional volumes purchased and Baa rated counterparties to hedge up to 25 per cent of gas purchase volumes provided such hedges do not extend beyond 9 months from the transaction date; and
ii. limiting the notional gas volumes hedged to a maximum of 25 per cent with any one counterparty.

During 1999, the Corporation entered into transactions with 13 different counterparties. The Corporation expects all swap and option obligations to be met.

The Corporation has entered into a number of forward start interest rate swaps to hedge its exposure to interest rate repricing on debt maturing between 2001 and 2003. The weighted average interest rate on these swaps is 6.76 per cent on a notional principal of $130 million. The interest rate on this debt was 12.25 per cent in 1999 (12.25 per cent - 1998).

b. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Long term debt	$737,965	$812,619	$712,965	$866,269
Sinking fund equity	46,133	45,780	37,972	42,674
Natural gas price hedges:				
- swaps	-	(6,606)	-	(2,991)
- options	(1,423)	1,087	404	(2,572)
- futures	(1,025)	(59)	(443)	623
Foreign exchange				
- forward contracts	-	(1,045)	-	1,221
Interest rate hedges				
- delayed swaps	-	1,600	-	(8,600)

The fair values of the above instruments were based on the following:

i. Long term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.
ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 1999.
iii. Natural gas price swaps - The relevant index price in effect on December 31, 1999.
iv. Natural gas price options - The relevant index price in effect on December 31, 1999.
v. Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 1999.

vi. Foreign exchange forward contracts - The Bank of Canada exchange rate on December 31, 1999.
vii. Interest rate hedges –Closing quotations from the counterparty as to the amount to settle the contract on December 31, 1999.

The carrying values of other financial instruments (cash, accounts receivable, accounts payable, short term indebtedness and bank indebtedness) approximate fair value.

c. Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation has over 317,000 customers and does not have a significant credit exposure to any individual customer. For 1999, credit losses were one third of one per cent of total revenue.

➢ **LEASES**

The Corporation leases natural gas storage facilities near Regina, Saskatchewan. The annual base lease payments are as follows: (thousands)

2000	2001	2002	2003	2004	Thereafter	Total
$449	$495	$542	$556	$570	$4,064	$ 6,676

10. SASKATCHEWAN TAXES AND ROYALTIES

Saskatchewan taxes and royalties include the following:

	1999	1998
	(thousands)	
Corporate capital tax	$ 4,677	$ 4,135
Royalties	2,759	3,587
Mitigation payments and property taxes	820	844
Franchise fees to municipalities	-	5,953
	$ 8,256	$ 14,519

The above amounts do not include Saskatchewan Education and Health Tax payments.

11. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
	(thousands)	
Inventories of supplies	$ (910)	$ (753)
Accounts payable	(4,567)	4,647
Accounts receivable	(4,621)	(9,564)
Natural gas in storage - current	(5,530)	(20,270)
	$ (15,628)	$ (25,940)

12. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

	1999	1998
	(thousands)	
Accounts receivable	$ 3,336	$ 2,953
Accounts payable	1,440	530
Revenue	25,694	23,435
Operating expenses	23,306	25,071
Customer capital contributions	2,748	2,662

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Province of Saskatchewan's Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

13. PENSION PLANS

Substantially all employees of the corporations included in these consolidated financial statements are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the defined contribution plan (Public Employees Pension Plan) and the defined benefit pension plan (Power Corporation Superannuation Plan), the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services.

14. SUPPLEMENTAL FINANCIAL INFORMATION

The Corporation operates predominantly in two industry segments being natural gas distribution and natural gas transportation. The following table provides supplemental information relating to the 1999 operating results for each major category of business (thousands).

	Transportation		Distribution		Subsidiaries	
	1999	1998	1999	1998	1999	1998
REVENUE						
Distribution	$ -	$ -	$315,065	$279,066	$ -	$ -
Cost of gas sold	-	-	192,094	153,431	-	-
Distribution margin	-	-	122,971	125,635	-	-
Transportation and storage	136,746	136,454	-	-	3,843	4,080
Net sales from gas brokering	7,280	8,277	2,648	4,182	-	-
Other	-	-	-	-	3,020	1,791
Net revenue	144,026	144,731	125,619	129,817	6,863	5,871
EXPENSES						
Operating and maintenance	44,928	48,085	70,515	68,763	1,715	1,538
Interest	40,481	42,355	25,236	25,511	1,024	1,120
Amortization of capital assets	22,321	21,302	21,530	19,586	1,486	1,340
Saskatchewan taxes and royalties	5,276	6,057	2,510	8,000	470	462
Total expenses	113,006	117,799	119,791	121,860	4,695	4,460
Net earnings	$ 31,020	$26,932	$ 5,828	$ 7,957	$ 2,168	$ 1,411

The above amounts are before intercompany eliminations.

Cost of gas sold noted above does not include intercompany transportation and storage of $2,418 thousand. This amount was eliminated on consolidation.

Below is a summarized statement of financial position by business unit (thousands):

	Transportation		Distribution		Subsidiaries	
	1999	1998	1999	1998	1999	1998
ASSETS						
Current	$ 38,285	$ 25,614	$129,159	$114,335	$ 1,795	$ 1,454
Natural gas in storage	38,781	44,069	-	-	-	-
Capital assets and investment	549,462	552,320	439,149	420,084	21,131	17,427
Total assets	$626,528	$622,003	$568,308	$ 534,419	$ 22,926	$ 18,881
LIABILITIES AND PROVINCE'S EQUITY						
Current	$ 23,932	$ 36,145	$113,819	$107,895	$ 6,237	$ 4,529
Customer capital contributions	27,703	22,836	59,645	54,909	-	-
Long term debt	399,822	405,007	284,365	262,246	7,644	8,510
Equity	175,071	158,015	110,479	109,369	9,045	5,842
Total liabilities and equity	$626,528	$622,003	$568,308	$534,419	$ 22,926	$ 18,881

The above amounts are before intercompany eliminations.

The above noted columns of "Subsidiaries" combines the amounts for Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated and Bayhurst Gas Limited.

15. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. SASKATCHEWAN INTERIM RATE REVIEW PANEL

During 1999, The Saskatchewan Interim Rate Review Panel was established by Minister's Order. The Panel was established to conduct a review of the Corporation's request for an increase in its gas consumption charge for the term November 1, 1999 to October 31, 2000. The review of the proposed rate change considered the interests of the consumer, the Corporation and the public. In its deliberations, the Panel considered the cost, supply and contractual terms of natural gas purchased by the Corporation. The Panel made a rate recommendation which was implemented effective December 15, 1999.

TRANSGAS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Ernst & Young

AUDITORS' REPORT

To the Shareholder of TransGas Limited

We have audited the statement of financial position of TransGas Limited as at December 31, 1999 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

ERNST & YOUNG

TRANSGAS LIMITED

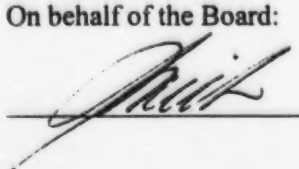
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

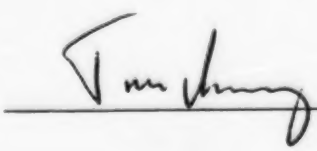
	Note	1999	1998
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ 19,499	$ -
Accounts receivable		11,633	15,996
Intercompany accounts receivable		6,685	4,810
Inventories of supplies		384	451
Natural gas in storage	3	-	4,357
		38,201	25,614
NATURAL GAS IN STORAGE	3	38,781	44,069
CAPITAL ASSETS	4	549,462	552,320
		$626,444	$622,003
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ -	$ 8,150
Intercompany accounts payable		1,345	1,416
Accounts payable		10,906	12,187
Due to parent		10,658	10,763
Dividend payable		937	3,629
		23,846	36,145
CUSTOMER CAPITAL CONTRIBUTIONS	6	27,703	22,836
LONG TERM DEBT	5	399,823	405,007
TOTAL LIABILITIES		451,372	463,988
SHAREHOLDER'S EQUITY			
Share capital	7	4,001	4,001
Retained earnings		171,071	154,014
		175,072	158,015
		$626,444	$622,003
COMMITMENTS	8		

(See accompanying notes)

On behalf of the Board:



, Director



, Director

TRANSGAS LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
REVENUE			
Transportation and storage		$ 136,912	$136,454
Net revenue from natural gas sales	3	7,114	8,277
		144,026	144,731
EXPENSES			
Operating and maintenance		44,927	48,085
Interest	5	40,481	42,355
Amortization of capital assets		22,321	21,302
Saskatchewan taxes and royalties	9	5,277	6,057
Total expenses		113,006	117,799
Net earnings		31,020	26,932
Retained earnings, beginning of year		154,014	141,311
Dividend		(13,963)	(14,229)
Retained earnings, end of year		$ 171,071	$ 154,014

(See accompanying notes)

TRANSGAS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 31,020	$ 26,932
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		22,321	21,302
Other non-cash items		134	162
Gain on sale of fixed assets		-	(774)
Amortization of customer capital contributions		(657)	(574)
		52,818	47,048
Net change in non-cash working capital related to operations	10	5,455	(8,453)
Cash provided by operating activities		58,273	38,595
INVESTING ACTIVITIES			
Additions to capital assets		(19,597)	(16,576)
Decrease in natural gas in storage (non-current)		5,288	3,852
Customer capital contributions received		5,524	3,257
Cash used in investing activities		(8,785)	(9,467)
FINANCING ACTIVITIES			
Decrease in long term debt		(5,184)	(30,237)
Dividend paid		(16,655)	(23,450)
Cash used in financing activities		(21,839)	(53,687)
INCREASE (DECREASE) IN CASH during year		27,649	(24,559)
CASH POSITION, beginning of year		(8,150)	16,409
CASH POSITION, end of year		$ 19,499	$ (8,150)

Cash position consists of cash less bank indebtedness.

(See accompanying notes)

TRANSGAS LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

TransGas Limited was incorporated on March 30, 1988 under the **Saskatchewan Business Corporations Act**. TransGas Limited is a wholly-owned subsidiary of SaskEnergy Incorporated (SEI), a Saskatchewan provincial Crown corporation.

TransGas Limited, as a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, is not subject to Federal or Provincial income taxes in Canada.

TransGas Limited operates the major natural gas transmission pipeline system within Saskatchewan providing open access transmission services including gathering, compression and natural gas processing to end use customers, marketers and export producers. The Corporation has the legislated franchise for the transmission of natural gas within Saskatchewan. The Corporation also provides natural gas storage services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Inventories of supplies

Inventories of supplies consist primarily of general supplies used for construction and maintenance and are recorded at the lower of average cost or replacement cost.

b. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value.

c. Capital assets

Capital assets are recorded at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic life of assets are capitalized.

Retirement or sale of a capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows (in per cent):

Transmission and storage	2.5 to 2.6
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	4.0 to 33.0

d. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

e. Revenue recognition

Revenue is recognized when transportation, transportation related services and storage are provided to customers. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

3. NATURAL GAS IN STORAGE

a. Natural gas in storage classified as a non-current asset is located within the Corporation's various storage facilities and is required for the ongoing operations of the storage facilities.

b. The corporation has natural gas reserves that are fully amortized. A portion of these reserves were sold in 1998.

4. CAPITAL ASSETS

	1999			1998		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 515,772	$ 98,670	$ 417,102	$ 502,695	$ 85,273	$417,422
Gathering, treatment and compression	144,047	37,141	106,906	140,764	32,055	108,709
Vehicles, equipment and other	39,781	17,807	21,974	38,040	16,278	21,762
Construction in progress	3,480	-	3,480	4,427	-	4,427
	$ 703,080	$153,618	$ 549,462	$ 685,926	$133,606	$ 552,320

The composite rate of amortization was 3.2 per cent during 1999 (3.2 per cent during 1998).

5. LONG TERM DEBT

Years to Maturity	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)	1998 Principal Outstanding (thousands)	1998 Average Fixed Interest Rate (per cent)
Notes payable to parent				
1 - 5	$173,819	12.0	$156,369	12.0
6 - 10	175,122	8.7	170,150	8.9
11 - 15	-		22,422	9.8
16 - 30	75,000	8.8	75,000	8.8
	423,941		423,941	
Less sinking fund equity	(28,934)		(23,750)	
Total notes payable to parent	395,007		400,191	
Other debt	4,816	13.5	4,816	13.5
Long term debt	$399,823		$405,007	

a. Sinking funds

Under conditions attached to certain advances from SEI, TransGas Limited is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are held by SEI.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows: (thousands)

	2000	2001	2002	2003	2004
Principal	$ -	$28,646	$ -	$127,723	$ 17,449
Sinking fund instalments	2,777	2,777	2,777	1,500	1,500
Total	$ 2,777	$31,423	$ 2,777	$129,223	$ 18,949

d. Interest expense

Interest expense was as follows:

	1999	1998
	(thousands)	
Interest on notes payable to parent	$ 42,758	$ 44,071
Interest on other debt	650	650
Interest on bank indebtedness	155	244
Sinking fund earnings	(2,407)	(1,955)
Interest revenue on short term investments	(575)	(408)
Interest capitalized	(100)	(247)
	$ 40,481	$ 42,355

Cash interest paid during the year on notes payable to parent was $42,758 thousand.

6. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are received from customers to aid in construction of customer specific facilities in accordance with established business policies.

	1999	1998
	(thousands)	
Balance, beginning of year	$ 22,836	$ 20,153
Contributions received during the year	5,524	3,257
Contributions amortized during the year	(657)	(574)
Balance, end of year	$ 27,703	$ 22,836

Included in customer capital contributions is an amount of $2,618 thousand (1998 - $2,582 thousand) received from SEI for customer capital contributions in aid of construction of certain transmission facilities.

7. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Thirty shares (1998 - thirty) are issued and outstanding.

8. COMMITMENTS

The Corporation leases natural gas storage facilities near Regina, Saskatchewan. The annual base lease payments are as follows: (thousands)

2000	2001	2002	2003	2004	Thereafter	Total
$449	$495	$542	$556	$570	$4,064	$6,676

9. SASKATCHEWAN TAXES AND ROYALTIES

Saskatchewan taxes and royalty payments include the following:

	1999	1998
	(thousands)	
Royalties	$ 2,759	$ 3,587
Corporate capital tax	2,164	2,082
Mitigation payments and property taxes	354	388
	$ 5,277	$ 6,057

The above amounts do not include Saskatchewan Education and Health Tax payments.

10. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
	(thousands)	
Accounts receivable	$ 4,363	$ (3,379)
Natural gas in storage - current	4,357	(4,357)
Inventories of supplies	67	(33)
Intercompany accounts payable	(71)	(886)
Due to parent	(105)	(1,207)
Accounts payable	(1,281)	1,988
Intercompany accounts receivable	(1,875)	(579)
	$ 5,455	$ (8,453)

11. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Long term debt	$428,757	$486,406	$428,757	$534,869
Sinking fund equity	$ 28,934	$ 28,713	$ 23,750	$ 26,691

The fair values of the above instruments were based on the following:

i. Long term debt The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 1999.

The carrying values of other financial instruments (cash, accounts receivable, intercompany accounts receivable, accounts payable, intercompany accounts payable, due to parent and dividend payable) approximate fair value.

b. Credit risk

The Corporation provides credit to its customers in the normal course of business. Excluding related parties (see Note 12), the Corporation has approximately 87 customers. In 1999, credit losses were less than one per cent of total revenue.

12. RELATED PARTY TRANSACTIONS

a. Transactions with SEI and its other subsidiary corporations were as follows:

	1999	1998
	(thousands)	
Transportation and storage revenue	$ 63,019	$ 61,280
Net revenue from natural gas sales	$ 1,217	$ 3,745
Operating and maintenance expenses	$ 8,822	$ 9,185
Interest expense	$ 39,931	$ 41,951

These items have been recorded at their exchange amounts.

b. Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	1999	1998
	(thousands)	
Accounts receivable	$ 2,705	$ 2,506
Accounts payable	483	62
Revenue	16,141	15,761
Operating expense	7,441	10,791
Customer capital contributions	2,091	2,149

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

13. PENSION PLANS

Substantially all employees of the corporation are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the defined contribution plan (Public Employees Pension Plan) and the defined benefit pension plan (Power Corporation Superannuation Plan), the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services.

14. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

15. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

MANY ISLANDS PIPE LINES (CANADA) LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Shareholder of Many Islands Pipe Lines (Canada) Limited

We have audited the statement of financial position of Many Islands Pipe Lines (Canada) Limited as at December 31, 1999 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

ERNST & YOUNG

MANY ISLANDS PIPE LINES (CANADA) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	1999	1998
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 241	$ 236
CAPITAL ASSETS	3	14,266	14,644
		$ 14,507	$ 14,880
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 1,008	$ 1,031
Accounts payable		196	200
Intercompany accounts payable		391	476
Dividend payable		492	656
		2,087	2,363
NOTES PAYABLE TO PARENT	4	7,644	7,741
TOTAL LIABILITIES		9,731	10,104
SHAREHOLDER'S EQUITY			
Share capital	5	-	-
Retained earnings		4,776	4,776
		4,776	4,776
		$ 14,507	$ 14,880

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

MANY ISLANDS PIPE LINES (CANADA) LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
REVENUE			
Transportation		$ 3,843	$ 4,080
EXPENSES			
Operating and maintenance		940	832
Interest	4	929	966
Amortization of capital assets		527	523
Saskatchewan taxes	6	470	462
Total expenses		2,866	2,783
Net earnings		977	1,297
Retained earnings, beginning of year		4,776	4,776
Dividend		(977)	(1,297)
Retained earnings, end of year		$ 4,776	$ 4,776

(See accompanying notes)

MANY ISLANDS PIPE LINES (CANADA) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 977	$ 1,297
Add items not requiring an outlay of cash Amortization of capital assets		527	523
		1,504	1,820
Net change in non-cash working capital related to operations	7	(94)	413
Cash provided by operating activities		1,410	2,233
INVESTING ACTIVITIES			
Additions to capital assets		(149)	(249)
FINANCING ACTIVITIES			
Dividend paid		(1,141)	(1,297)
Decrease in notes payable to parent		(97)	(861)
Cash used in financing activities		(1,238)	(2,158)
INCREASE (DECREASE) IN BANK INDEBTEDNESS during year		23	(174)
BANK INDEBTEDNESS, beginning of year		(1,031)	(857)
BANK INDEBTEDNESS, end of year		$ (1,008)	$ (1,031)

(See accompanying notes)

MANY ISLANDS PIPE LINES (CANADA) LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

Many Islands Pipe Lines (Canada) Limited (MIPL) was incorporated on July 2, 1972 under the **Canada Business Corporations Act**. MIPL is a wholly-owned subsidiary of SaskEnergy Incorporated (SEI), a Saskatchewan provincial Crown corporation.

As the Corporation is a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, the Corporation is not subject to Federal or Provincial income taxes in Canada.

MIPL owns and/or operates thirteen natural gas transmission pipelines. Eleven interconnect Alberta to Saskatchewan pipelines. The remaining two interconnect United States and Saskatchewan pipelines. The pipelines are located mainly in Saskatchewan and either cross or terminate at the Alberta or United States borders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the asset disposed is included in income for the current period.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset as follows: (in per cent) transmission 2.6, compression 3.5, treatment 2.5, and other from 2.5 to 15.0.

b. Revenue recognition

Revenue is recognized when transportation services are provided to customers. An estimate of transportation services rendered, but not billed, is included in revenue.

3. CAPITAL ASSETS

	1999			1998		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission	$ 17,485	$ 4,000	$ 13,485	$17,334	$ 3,553	$ 13,781
Compression	1,220	495	725	1,220	452	768
Treatment	14	4	10	14	3	11
Other	474	428	46	476	392	84
	$ 19,193	$ 4,927	$ 14,266	$19,044	$ 4,400	$ 14,644

The composite rate of amortization was 2.8 per cent during 1999 (2.8 per cent during 1998).

On April 1, 1988, the Corporation acquired a pipeline from Consolidated Pipe Lines Company (CPL). The original cost of the pipeline to CPL was $9,182 thousand and accumulated amortization of $6,879 thousand had been recorded as of April 1, 1988.

Pursuant to a National Energy Board (NEB) order dated April 11, 1991 the Corporation acquired a pipeline from its parent company, SaskEnergy Incorporated. Pursuant to a NEB order also dated April 11, 1991, SaskEnergy Incorporated acquired the pipeline from Saskatchewan Power Corporation (SPC). The original cost of this pipeline to SPC was $264 thousand and accumulated amortization of $151 thousand had been recorded as of April 11, 1991.

On December 9, 1993, MIPL purchased a pipeline from an affiliated company, TransGas Limited, pursuant to a NEB Order dated December 9, 1993. The original cost of the pipeline to TransGas Limited was $2,895 thousand and accumulated amortization of $62 thousand had been recorded as of December 9, 1993.

4. NOTES PAYABLE TO PARENT

Years to Maturity	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)	1998 Principal Outstanding (thousands)	1998 Average Fixed Interest Rate (per cent)
1 - 5	$ 5,270	12.0	$ 4,742	12.0
6 - 10	3,036	9.7	2,885	10.1
11 - 15	-		680	9.8
	8,306		8,307	
Less sinking fund equity	(662)		(566)	
Notes payable to parent	$ 7,644		$ 7,741	

a. Sinking funds

Under conditions attached to certain notes payable from SaskEnergy Incorporated, Many Islands Pipe Lines (Canada) Limited is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are held by SaskEnergy Incorporated.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows: (thousands)

	2000	2001	2002	2003	2004
Principal	$ -	$ 869	$ -	$3,873	$ 529
Sinking fund instalments	39	39	39	-	-
Total	$ 39	$ 908	$ 39	$3,873	$ 529

d. Interest expense

Interest expense was as follows:

	1999	1998
	(thousands)	
Interest on notes payable to parent	$ 927	$ 967
Interest on bank indebtedness	58	46
Amortization of deferred charges	1	2
Sinking fund earnings	(57)	(49)
	$ 929	$ 966

Cash interest paid during the year on notes payable to parent was $927 thousand.

5. SHARE CAPITAL

Authorized share capital consists of 50,000 Class A common shares without nominal or par value. One hundred one shares (1998 - 101) are issued and outstanding. The shares were issued for nominal consideration of one hundred and one dollars.

6. SASKATCHEWAN TAXES

Saskatchewan taxes include the following:

	1999	1998
	(thousands)	
Property taxes	$ 460	$ 446
Corporate capital tax	10	16
	$ 470	$ 462

The above amounts do not include Saskatchewan Education and Health Tax payments.

7. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
	(thousands)	
Accounts receivable	$ (5)	$ 312
Accounts payable	(4)	25
Intercompany accounts payable	(85)	76
	$ (94)	$ 413

8. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Notes payable to parent	$ 8,306	$ 9,273	$ 8,307	$ 10,069
Sinking fund equity	$ 662	$ 657	$ 566	$ 636

The fair values of the above instruments were based on the following:

i. Notes payable to parent - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 1999.

The carrying values of other financial instruments (accounts receivable, accounts payable, intercompany accounts payable and bank indebtedness) approximate fair value.

b. Credit risk

The Corporation provides credit to its customers in the normal course of business. Excluding related parties (see Note 10), the Corporation has 8 customers from which it earns approximately one-half of its revenue. The Corporation had a maximum credit exposure to any individual customer of approximately $120 thousand. There were no credit losses in 1999.

9. NATIONAL ENERGY BOARD REGULATION

All revenues and expenses of the Corporation are related to activities subject to regulation by the National Energy Board.

10. RELATED PARTY TRANSACTIONS

a. Transactions with SEI and affiliated corporations were as follows:

	1999	1998
	(thousands)	
Revenue	$ 1,873	$ 1,808
Operating and maintenance expenses	$ 854	$ 751
Interest expense	$ 929	$ 966

These items have been recorded at their exchange amounts.

b. By virtue of Many Islands Pipe Lines (Canada) Limited being a subsidiary of SEI, it is related to various Saskatchewan Crown corporations, departments, agencies, boards and commissions subject to joint control and significant influence by the Government of Saskatchewan.

Routine operating transactions with these related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end were as follows:

	1999	1998
	(thousands)	
Operating expense	$ 18	$ 22

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

11. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SASKENERGY INTERNATIONAL INCORPORATED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Shareholder of SaskEnergy International Incorporated

We have audited the consolidated statement of financial position of SaskEnergy International Incorporated as at December 31, 1999 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

SASKENERGY INTERNATIONAL INCORPORATED

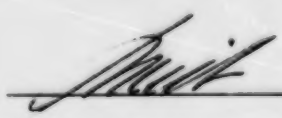
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

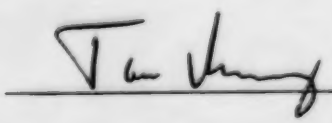
	Note	1999	1998
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 48	$ 44
Intercompany accounts receivable		-	786
		48	830
LONG TERM INVESTMENT	3	5,027	100
		$ 5,075	$ 930
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 1,760	$ 1,687
Intercompany accounts payable		89	-
Accounts payable		17	221
TOTAL LIABILITIES		1,866	1,908
SHAREHOLDER'S EQUITY			
Share capital	4	4,925	1
Deficit		(1,716)	(979)
		3,209	(978)
		$ 5,075	$ 930
COMMITMENTS	3		

(See accompanying notes)

On behalf of the Board:



, Director



, Director

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31

	1999	1998
	(thousands)	
REVENUE		
Consulting services	$ 86	$ 113
EXPENSES		
Operating	753	666
Interest	70	33
	823	699
Loss	(737)	(586)
Deficit, beginning of year	(979)	(393)
Deficit, end of year	$ (1,716)	$ (979)

(See accompanying notes)

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	1999	1998
		(thousands)	
OPERATING ACTIVITIES			
Loss		$ (737)	$ (586)
Net change in non-cash working capital related to operations	5	667	(638)
Cash used in operating activities		(70)	(1,224)
FINANCING ACTIVITIES			
Increase in share capital		4,924	-
INVESTING ACTIVITIES			
Increase in investments		(4,927)	(100)
INCREASE IN BANK INDEBTEDNESS during year		(73)	(1,324)
BANK INDEBTEDNESS, beginning of year		(1,687)	(363)
BANK INDEBTEDNESS, end of year		$ (1,760)	$ (1,687)

(See accompanying notes)

SASKENERGY INTERNATIONAL INCORPORATED

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

SaskEnergy International Incorporated (SEII) was incorporated on February 17, 1981 under the **Canada Business Corporations Act**. SEII is a wholly-owned subsidiary of SaskEnergy Incorporated.

SaskEnergy Incorporated is a Saskatchewan Crown corporation, and therefore SEII is not subject to Federal or Provincial income taxes in Canada.

As the Corporation is in the development stages, the continuation of the Corporation is dependent upon the continued financial support of SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. In addition, the accounts also include the Corporation's 100 per cent interest in SaskEnergy Chilean Holdings Limitada – a Chilean limited partnership.

b. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created two wholly-owned Canadian subsidiaries and a Chilean limited partnership. The Corporation, through the two Canadian subsidiaries and the Chilean limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S.

By virtue of the Shareholders Agreement of Gas Sur S.A., the Corporation committed to make the investment through three equal advances of $1,600 thousand U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Canadian dollar equivalent of the investment to date, including acquisition costs, is $5,027 thousand.

In addition, the Corporation has entered into a Technical Advisors Agreement whereby the Corporation will provide technical consulting services to Gas Sur S.A. on a fee for service basis.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Issued share capital is as follows:

	Shares	1999		1998
			(thousands)	
Opening Balance	100.0	1		1
January 14, 1999	245,300.4	2,453		-
July 30, 1999	247,051.8	2,471		-
	492,452.2	$ 4,925		$ 1

5. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999		1998
		(thousands)	
Intercompany accounts	$ 875		$ (933)
Accounts payable	(204)		184
Accounts receivable	(4)		111
	$ 667		$ (638)

6. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The carrying values of the Corporation's financial instruments (accounts receivable, intercompany accounts receivable, bank indebtedness, accounts payable and intercompany accounts payable) approximate fair value.

b. Credit risk

There is no concentration of credit risk.

7. RELATED PARTY TRANSACTIONS

Transactions with SaskEnergy Incorporated and its affiliates were as follows:

	1999	1998
	(thousands)	
Operating expenses	$ 122	$ 110

8. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

BAYHURST GAS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Shareholder of Bayhurst Gas Limited

We have audited the statement of financial position of Bayhurst Gas Limited as at December 31, 1999 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

BAYHURST GAS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1999

	Note	1999	1998
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 381	$ 281
Intercompany receivable		1,125	-
		1,506	281
ROYALTY INTEREST		6,831	6,831
Less accumulated amortization		5,005	4,046
		1,826	2,785
		$ 3,332	$ 3,066
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Accounts payable		$ 3	$ -
Dividend payable		2,268	249
		2,271	249
NOTE PAYABLE TO PARENT	3	-	769
TOTAL LIABILITIES		2,271	1,018
SHAREHOLDER'S EQUITY			
Share capital	4	1,061	1,061
Retained earnings		-	987
		1,061	2,048
		$ 3,332	$ 3,066

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

BAYHURST GAS LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1999

	1999	1998
	(thousands)	
REVENUE		
Royalties	$ 2,934	$ 1,678
EXPENSES		
Amortization of royalty interest	959	817
Interest	25	121
Operating and maintenance	22	40
Total expenses	1,006	978
Net earnings	1,928	700
Retained earnings, beginning of year	987	987
Dividend	(2,915)	(700)
Retained earnings, end of year	$ -	$ 987

(See accompanying notes)

BAYHURST GAS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1999

	Note	1999	1998
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 1,928	$ 700
Add item not requiring an outlay of cash Amortization of royalty interest		959	817
		2,887	1,517
Net change in non-cash working capital related to operations	5	(1,222)	(41)
Cash provided by operating activities		1,665	1,476
FINANCING ACTIVITIES			
Decrease in note payable to parent		(769)	(736)
Dividend paid		(896)	(740)
Cash used in financing activities		(1,665)	(1,476)
CASH POSITION, beginning and end of year		$ -	$ -

(See accompanying notes)

BAYHURST GAS LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

Bayhurst Gas Limited was incorporated on March 30, 1988 under the **Saskatchewan Business Corporations Act**. The corporation is a wholly-owned subsidiary of SaskEnergy Incorporated, a Saskatchewan provincial Crown corporation.

Bayhurst Gas Limited, as a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, is not subject to Federal or Provincial income taxes in Canada.

Bayhurst Gas Limited owns a gross overriding royalty interest in 488 natural gas properties in Saskatchewan and Alberta whereby the Corporation receives monthly payments in accordance with the terms and conditions of the royalty interest.

The affairs of the Corporation are managed by the Board of Directors and the management of its parent, SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policy is considered to be significant:

Royalty interest

The royalty interest is recorded at cost. Amortization expense is calculated on a unit-of-production basis.

3. NOTE PAYABLE TO PARENT

The note payable was due to the Corporation's parent company, SaskEnergy Incorporated. Principal was repaid in monthly instalments. The instalments were based on a cash flow formula. The interest rate for 1999 was 9.93 per cent (1998 - 10.25 per cent). The note payable was repaid in July 1999.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. One hundred twenty (120) shares (1998 - 120 shares) are issued and outstanding.

5. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
	(thousands)	
Accounts receivable	$ 100	$ (41)
Intercompany receivable	(1,125)	-
Accounts payable	3	-
	$ (1,222)	$ (41)

6. RELATED PARTY TRANSACTIONS

Transactions with SaskEnergy Incorporated were as follows:

	1999	1998
	(thousands)	
Interest expense	$ 25	$ 121

7. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is as follows:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Note payable to parent	$ -	$ -	$769	$792

The 1998 fair value of the note payable to parent was based on the present value of estimated future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

The carrying values of other financial instruments (accounts receivable and dividend payable) approximate fair value.

b. Credit risk

The Corporation receives monthly royalties on certain natural gas properties. The largest receipts (approximately 77 per cent) are from one non-related company. The Corporation expects all future royalty payments to be received in accordance with the terms and conditions of the royalty agreements. There were no credit losses in 1999.

8. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SASKENERGY CHILEAN HOLDINGS I LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Shareholders of SaskEnergy Chilean Holdings I Ltd.

We have audited the statement of financial position of SaskEnergy Chilean Holdings I Ltd. as at December 31, 1999 and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

SASKENERGY CHILEAN HOLDINGS I LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1999

	Note	1999 (thousands)
ASSETS		
CURRENT ASSETS		
Cash		$ 14
LONG TERM INVESTMENT	3	4,910
		$ 4,924
LIABILITIES AND SHAREHOLDER'S EQUITY		
MINORITY INTEREST IN PARTNERSHIP		$ 5
SHAREHOLDER'S EQUITY		
Share capital	4	4,919
		$ 4,924
COMMITMENT	3	

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKENERGY CHILEAN HOLDINGS I LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1999

	Note	1999 (thousands)
FINANCING ACTIVITIES		
Proceeds from share issues		$ 4,919
Minority interest in partnership		5
		4,924
INVESTING ACTIVITIES		
Increase in long term investment		(4,910)
		14
CASH POSITION, beginning of year		-
CASH POSITION, end of year		$ 14

Cash position consists of cash and term deposits.

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS I LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

SaskEnergy Chilean Holdings I Ltd. was created on August 27, 1996 under the **Canada Business Corporations Act**. From incorporation until December 9, 1998 the Corporation was inactive. On December 9, 1998 the Corporation became a wholly-owned subsidiary of SaskEnergy International Incorporated. SaskEnergy International Incorporated is a wholly owned subsidiary of a Saskatchewan provincial Crown corporation, and therefore SaskEnergy Chilean Holdings I Ltd. is not subject to Federal or Provincial income taxes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements include the accounts of the Corporation and a Chilean limited partnership, SaskEnergy Chilean Holdings Limitada (99.9 per cent ownership interest).

b. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

The affairs of the Corporation are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

During the year the Corporation had no revenue or expenses.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created a Chilean limited partnership in which it holds a 99.9 per cent ownership interest and a related corporation owns a 0.1 per cent ownership interest.

The Corporation, through the Chilean limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S.

By virtue of the Shareholders Agreement of Gas Sur S.A., the Corporation committed to make the investment through three equal advances of $1,600 thousand U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Canadian dollar equivalent of the investment to date is $4,910 thousand.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Issued share capital is as follows:

	Shares	Amount (thousands)
Opening balance	1.0	$ -
January 14, 1999	245,055.1	2,451
July 30, 1999	246,804.7	2,468
	491,860.8	$ 4,919

5. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SASKENERGY CHILEAN HOLDINGS II LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Shareholders of SaskEnergy Chilean Holdings II Ltd.

We have audited the statement of financial position of SaskEnergy Chilean Holdings II Ltd. as at December 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

ERNST & YOUNG

SASKENERGY CHILEAN HOLDINGS II LTD.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1999

	Note	1999 (thousands)
ASSETS		
LONG TERM INVESTMENT	3	$ 5
SHAREHOLDER'S EQUITY		
SHARE CAPITAL	4	$ 5

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKENERGY CHILEAN HOLDINGS II LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE CORPORATION

SaskEnergy Chilean Holdings II Ltd. was created on June 4 ,1997 under the **Canada Business Corporations Act**. From incorporation until December 9, 1998 the Corporation was inactive. On December 9, 1998 the Corporation became a wholly-owned subsidiary of SaskEnergy International Incorporated. SaskEnergy International Incorporated is a wholly owned subsidiary of a Saskatchewan provincial Crown corporation, and therefore SaskEnergy Chilean Holdings II Ltd. is not subject to Federal or Provincial income taxes in Canada.

The affairs of the Corporation are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

During the year the Corporation had no revenue or expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long term investment

The Corporation accounts for its investment in the Chilean limited partnership by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation's parent received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation acquired a 0.1 per cent interest in a Chilean limited partnership with an affiliate holding the remaining interest.

By virtue of the Shareholders Agreement of Gas Sur S.A., the limited partnership is committed to make the investment through three equal advances of $1,600 thousand U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Corporation is committed to advancing $1.6 thousand U.S. to the limited partnership July 30, 2000 in respect of this investment. The Canadian dollar equivalent of the investment is $4.9 thousand.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Share capital is as follows:

	Shares	Amount (thousands)
Opening balance	1.0	$ -
January 14, 1999	245.3	2
July 30, 1999	247.1	3
	493.4	$ 5

5. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SASKENERGY CHILEAN HOLDINGS LIMITADA

FINANCIAL STATEMENTS

DECEMBER 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Partners of SaskEnergy Chilean Holdings Limitada

We have audited the statement of financial position of SaskEnergy Chilean Holdings Limitada as at December 31, 1999 and the statements of partnership equity and cash flows for the year then ended. These financial statements are the responsibility of the limited partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the limited partnership as at December 31, 1999 and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 4, 2000

Chartered Accountants

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1999

	Note	1999 (thousands)
ASSETS		
CURRENT ASSETS		
Cash		$ 2
Term deposit		12
		14
LONG TERM INVESTMENT	3	4,910
		$ 4,924
PARTNERSHIP EQUITY		
PARTNERSHIP EQUITY	1	$ 4,924
COMMITMENTS	3	

(See accompanying notes)

On behalf of the Partners:

_____, Partner

_____, Partner

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF PARTNERSHIP EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1999

	1999 (thousands)
PARTNERSHIP EQUITY, beginning of year	$ -
CONTRIBUTIONS FROM PARTNERS	
SaskEnergy Chilean Holdings I Ltd.	4,919
SaskEnergy Chilean Holdings II Ltd.	5
PARTNERSHIP EQUITY, end of year	$ 4,924

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1999

	Note	1999 (thousands)
FINANCING ACTIVITIES		
Equity contributions from partners	1	$ 4,924
INVESTING ACTIVITIES		
Increase in long term investment	3	(4,910)
		14
CASH POSITION, beginning of year		-
CASH POSITION, end of year		$ 14

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS LIMITADA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. STATUS OF THE LIMITED PARTNERSHIP

SaskEnergy Chilean Holdings Limitada was established on December 16, 1998 as a Chilean limited partnership owned by two Canadian corporations – SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. The Canadian corporations are wholly owned subsidiaries of SaskEnergy International Incorporated, which in turn is wholly owned by a Saskatchewan Crown Corporation – SaskEnergy Incorporated.

SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. have 99.9 per cent and 0.1 per cent respective ownership interests in the partnership.

The affairs of the limited partnership are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

The transactions occurring in the limited partnership are in Chilean pesos and have been translated to Canadian dollars at the rate in effect at the time of the transaction.

b. Investment

The limited partnership accounts for its investment in Gas Sur S.A. by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the limited partnership received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile.

The limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S.

By virtue of the Shareholders Agreement of Gas Sur S.A., the limited partnership committed to make the investment through three equal advances of $1.6 million U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Canadian dollar equivalent of the investment to date is $4,910 thousand.

4. YEAR 2000 ISSUE READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.